

BEFORE THE POSTAL RATE COMMISSION  
WASHINGTON, DC 20268

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Continuity Shippers Association

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Docket No. C99-4

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The Continuity Shippers Association submits the following brief in support of its complaint relative to the rate for the Bulk Parcel Return Service.

The current rate for BPRS is \$1.75. The Postal Service stated in its October 1998 BPRS cost study (as revised in September 1999) that the attributable costs for BPRS are \$1.04, resulting in a cost coverage of 168%. For purposes of this complaint case only, the CSA accepts the \$1.04 attributable cost figure. The CSA proposes the use of the Consumer Price Index-Urban (CPIU) as the roll forward factor for the years 1999 and 2000. The twelve month average for the CPIU ending August 1999 is 2.3%. This yields an attributable cost for BPRS of \$1.063 for 1999, and \$1.087 or \$1.09 for 2000. The CSA reserves the right to challenge the attributable cost and the roll forward factor in other proceedings.

The sole remaining issue is the appropriate institutional cost coverage for BPRS under the non-cost pricing factors of Section 3622(b). For the reasons set forth below, the CSA believes the appropriate institutional cost coverage should be 136%, which results in a rate of \$1.48 using 2000 costs (or \$1.41 using the 1998 costs).

The proposed rate of \$1.48 covers the direct attributable costs of \$1.09 and makes a significant contribution to institutional costs as required by §3622(b)(3).

The rate would be fair and equitable in light of the rate charged for other postal products used for returns, i.e. Special Standard (B), Bound Printed Matter, and Standard (B).

Special Standard (B) and BPRS pieces share several relevant characteristics. Under DMM E613, Special Standard (B) need not weigh more than 16 ounces. In fact, many Special Standard (B) parcels weigh less than one pound and are mailed under Standard (A) rates, but returned under Special Standard (B). In this way, the mailer takes advantage of the lower Standard (A) rates outbound and lower Special Standard (B) rates on the return. Testimony of J. Eggleston, MC99-4, p. 5 n.6. Further, the Postal Service processes, transports and delivers both Special Standard (B) and Standard (A) parcels in the same manner. The cost coverage for Special Standard (B) is 106%. While Special Standard (B) receives a reduced coverage under §3622(8), the current difference between the two rates (106% versus 168%) is simply too great.

Standard (B) as a class has a cost coverage of 109%. The clear similarity between Standard (B) and BPRS is that they both involve parcels. In fact, the Postal Service said the "value of service for [BPRS] would be similar to that of parcel post."

Testimony of M. Adra, MC97-4, p 16. The most significant difference is the greater competition that Standard (B) faces.

Bound Printed Matter has a cost coverage of 136%. BPRS and BPM both serve the commercial world. They have generally uniform shapes, i.e. BPRS parcels must be machinable. However, BPM has a higher value of service because, among other things, the Postal Service guarantees delivery of the return BPM mail to the sender.

The value of the BPRS mail service under §3622(b)(2) is low. The Postal Service recognized this when BPRS was created.

Testimony of M. Adra, MC97-4, p. 16. Since it is restricted to Standard (A) mail, BPRS receives the lowest priority; only ground transportation is used; and the Postal Service may require (at the Postal Service's option) that BPRS users come and pick up the returns.

The effect of rate increases under §3622(b)(4) upon BPRS users and their customers (the general public) has been quite large given the exaggerated rate paid for Standard (A) returns prior to the creation of BPRS. The Commission stated in its 1997 Recommended Decision approving BPRS at pages 1-2 that the concerns about the "adequacy, viability and fairness" of return service and fees "arose from significant increases in the Standard A single-piece rates largely traceable to Docket No. 94-1." Further, as shown by the 1998 cost study, these users have been overpaying for returns even after the creation of BPRS.

Current BPRS users send their parcels out through the Postal Service and keep their returns within the Postal Service. Thus, the parcels are already within the Postal Service network. The alternate means analysis under §3622(b)(5) does not apparently apply. On the other hand, the Postal Service has often cited BPRS as a service that will attract e-commerce business to the Postal Service. Participants in e-commerce may well use BPRS for their returns even if they deliver their goods initially through a private carrier.

BPRS users are involved in reducing costs to the Postal Service under §3622(b)(6) through having the returns aggregated in bulk rather than handled as single pieces, and (if the Postal Service so elects) by picking up their returns rather than having them delivered.

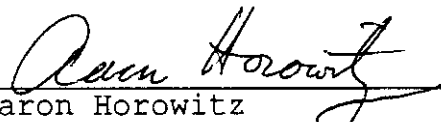
The educational, cultural, scientific and informational value of the mail under §3622(b)(8) does not apply.

When originally filed, the Postal Service used the system average of 156% for the cost coverage of BPRS. This was based on attributable costs of \$1.12. The Postal Service's use of system average is not supportable. There is no mail that is exactly system average. Further, the other postal products handling parcels or returns each have a cost coverage significantly below system average.

The Continuity Shippers Association requests that the Postal Rate Commission issue a Recommended Decision to the Board of Governors finding that the rate for the Bulk Parcel Return Service should be \$1.48, consisting of \$1.09 in year 2000 costs and a cost coverage of 136%. Such a rate properly reflects the value of the Service and is otherwise in accord with the policies and purposes of the Act.

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Respectfully Submitted,

  
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CERTIFICATE OF SERVICE

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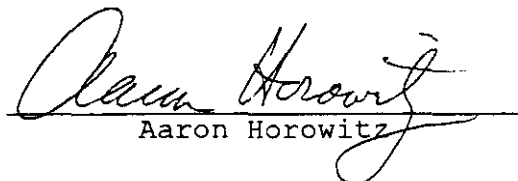
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